

BOARD OF TRUSTEES # 411
KENTUCKY RETIREMENT SYSTEMS
SPECIAL CALLED MEETING JULY 12, 2017 AT 10:00 A.M.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Special Called Meeting of the Board of Trustees held on July 12, 2017, the following members were present: John Farris (Chair), David Adams, Wilburn Joe Brothers, John Chilton, William Cook, Kelly Downard, Thomas Elliott (non-voting), JT Fulkerson, David Harris, Vince Lang, Keith Percy, Betty Pendergrass, Mary Helen Peter, Jerry Powell, Neil Ramsey, David Rich, and Secretary Thomas Stephens. In addition, Staff members present were David Eager, Karen Roggenkamp, Rebecca Stephens, Connie Davis, Mark Blackwell, Shawn Sparks, Kathy Rupinen, Joe Bowman, Ann Case, Shaun Case, Erin Surratt, Joe Gilbert, and Leigh Taylor. Also present were Danny White and Joe Newton of Gabriel Roeder Smith, Rebecca Heckler, Russ Wright, Jim Carroll, Chris Biddle, Jim Waters, Aaron Ammerman, Michael Kurtsinger, Joe Baer, William F. Smith, Steve Starkweather, Larry Totten, Bo Cracraft, Collin Johnson, Frank Willey, Brianna Carroll, J.D. Chaney, C. Bartley, G. Kennedy, Teresa Sanders, Jodi Whitaker, Shellie Hampton, Steve Barger, Nick Jilek, Representative Jerry Miller, Michile Hill, Johnathan Eakin, Alfred Miller, Penny Downs, and Tom Loftus.

Mr. Farris called the meeting to order and introduced the agenda item *New Trustee Oath of Office* –Mr. Joe Brothers and Mr. Downard were introduced to the Board and provided a brief personal introduction. Ms. Leigh Taylor, as Notary, administered the Oath Office to Mr. Brothers and Mr. Fulkerson (re-appointment), Mr. Downard was previously sworn in at the June 20, 2017 Investment Committee Meeting.

Mr. Farris introduced the agenda item *Approval of Minutes* – May 18, 2017. Mr. Eager noted that portions of the recording were inaudible with regard to the KERS Hazardous Plan 2.3% inflation rate. A motion to approve the minutes was made by Mr. Powell and seconded by Sec. Stephens. Mr. Downard and Mr. Brothers abstained from voting on that motion. The motion passed unanimously. Sec. Stephens made a motion to adopt the 2.3% inflation rate for KERS Hazardous Plan and was seconded by Mr. Lang. The motion passed unanimously.

Mr. Farris introduced the agenda item *Setting the Economic Assumptions and Actuarial Rates: KERS Hazardous Pension Fund; CERS Non-Hazardous and CERS Hazardous Pension Funds; All KRS Insurance Funds*. Ms. Pendergrass addressed the asset allocation policy recommendation. Mr. Harris offered an analysis of the asset allocation policy and a discussion was held. Sec. Stephens made a motion to accept the 6.25% rate of return for the CERS Non-Hazardous and CERS Hazardous, KERS Hazardous and all Insurance Funds and was seconded by Mr. Cook. There was further discussion on the motion and then a roll call vote was taken. Mr. Farris (yes), Mr. Adams (yes), Mr. Brothers (yes), Mr. Chilton (yes), Mr. Cook (yes), Mr. Downard (yes), Mr. Fulkerson (no), Mr. Harris (yes), Mr. Lang (no), Mr. Peercy (yes), Ms. Pendergrass (no), Ms. Peter (no), Mr. Powell (no), Mr. Ramsey (yes), Mr. Rich (yes), and Sec. Stephens (yes). The motion passed with eleven in favor and five opposed. A motion was made to accept the Asset Allocation policy recommendation of the investment committee by Sec. Stephens and seconded by Mr. Fulkerson. A roll call vote was taken. Mr. Farris (yes), Mr. Adams (yes), Mr. Brothers (yes), Mr. Chilton (yes), Mr. Cook (yes), Mr. Downard (yes), Mr. Fulkerson (yes), Mr. Harris (yes), Mr. Lang (no), Mr. Peercy (yes), Ms. Pendergrass (no), Ms. Peter (yes), Mr. Powell (yes), Mr. Ramsey (yes), Mr. Rich (yes), and Sec. Stephens (yes). The motion passed with fourteen (14) in favor and two (2) opposed.

Mr. Danny White of Gabriel Roeder Smith gave a brief discussion on the payroll growth assumption. A motion was made by Mr. Powell to approve KERS Hazardous payroll growth assumption rate at 0% and seconded by Mr. Lang. The motion passed unanimously. A motion was made to approve the recommendation of the CERS Hazardous and Non-Hazardous payroll growth rate assumption of 2.0% by Mr. Lang and seconded by Mr. Powell. The motion carried with one opposed (Trustee Cook).

Mr. Farris introduced the agenda item *KRS Bylaws*. Mr. Mark Blackwell reviewed the changes and a discussion was held. Mr. Farris encouraged Mr. Rich and Mr. Blackwell to meet regarding review of the Bylaws. This agenda item was tabled pending further review of the Bylaws, no action was taken.

Mr. Chilton exited the meeting

Mr. Farris introduced the agenda item *Review and Approval of the Investment Procurement Policy*. Mr. Blackwell gave an overview of the procurement policy and timeline for completion in collaboration with the Finance and Administration Cabinet. Mr. Robben provided an overview of the procurement policy. A motion was made to approve the investment procurement policy preliminary draft by Sec. Stephens and seconded by Mr. Powell. The motion carried unanimously.

Mr. Farris introduced the agenda item *Review and Approval of the Investment Policy Statement*. Mr. Rich Robben reviewed the changes to the Investment Policy Statement. Mr. Eager provided further commentary. Sec. Stephens made a motion to approve the proposed changes to the Investment Policy Statement and was seconded by Mr. Fulkerson. The motion passed unanimously.

Mr. Farris introduced the agenda item *Public Comment*. Mr. Carroll voiced an objection to public comment during this special called meeting. Mr. Farris noted Mr. Carroll's objection for the record but stated that the Board would err on the side of allowing public comment. Mr. Farris introduced Mr. J.D. Chaney, Deputy Executive Director with Kentucky League of Cities. Mr. Chaney spoke briefly on the actuarial rates and impact. Mr. Farris then introduced Mr. Bill Smith, Mr. Aaron Ammerman, and Mr. Jim Waters with the Bluegrass Institute, Mr. Smith, Mr. Ammerman, and Mr. Waters spoke about the unfunded liability and the defined benefit plans.

Mr. Lang made a motion to enter into closed session to discuss litigation. The motion was seconded by Mr. Powell; the motion passed unanimously. Mr. Farris Read the following statement: A motion having been made in open session to move into closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to discuss litigation, pursuant to KRS 61.810(1)(c), because of the necessity of

protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. The meeting moved into closed session.

All public attendees exited the meeting.

Mr. Farris called the meeting back into open session. No action was taken. There being no further business, the meeting adjourned at 12:00 p.m. to meet on September 14, 2017 or upon call of the Interim Executive Director or the Chair of the Board of Trustees.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees as of 7/12/17.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.



Recording Secretary

We, the Chair of the Board of Trustees of the Kentucky Retirement Systems and Executive Director of the Kentucky Retirement Systems, do certify that the Minutes of Meeting Number 411, held on July 12, 2017, were approved on September 14, 2017.



Chair of the Board of Trustees



Interim Executive Director

I, _____, have reviewed the Minutes of the July 12, 2017, Board of Trustees Special Called Meeting for content, form, and legality.



Executive Director Office of Legal Services